



# House of Representatives

General Assembly

**File No. 691**

January Session, 2025

Substitute House Bill No. 7224

*House of Representatives, April 14, 2025*

The Committee on Government Administration and Elections reported through REP. BLUMENTHAL of the 147th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

**AN ACT EXPANDING LIABILITY UNDER THE FALSE CLAIMS ACT FOR ENTITIES WITH AN OWNERSHIP INTEREST AND PROHIBITING THE LICENSING OF HOSPITALS WITH CERTAIN LEASE BACK ARRANGEMENTS.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 4-274 of the general statutes is repealed and the  
2 following is substituted in lieu thereof (*Effective October 1, 2025*):

3 As used in this section and section 4-275, as amended by this act:

4 (1) "Knowing" and "knowingly" means that a person, with respect to  
5 information: (A) Has actual knowledge of the information; (B) acts in  
6 deliberate ignorance of the truth or falsity of the information; or (C) acts  
7 in reckless disregard of the truth or falsity of the information, without  
8 regard to whether the person intends to defraud;

9 (2) "Claim" (A) means any request or demand, whether under a  
10 contract or otherwise, for money or property and whether or not the

11 state has title to the money or property, that (i) is presented to an officer,  
12 employee or agent of the state, or (ii) is made to a contractor, grantee or  
13 other recipient, if the money or property is to be spent or used on the  
14 state's behalf or to advance a state program or interest, and if the state  
15 provides or has provided any portion of the money or property that is  
16 requested or demanded, or if the state will reimburse such contractor,  
17 grantee or other recipient for any portion of the money or property that  
18 is requested or demanded, and (B) does not include a request or demand  
19 for money or property that the state has paid to an individual as  
20 compensation for state employment or as an income subsidy with no  
21 restrictions on that individual's use of the money or property;

22 (3) "Person" means any natural person, corporation, limited liability  
23 company, firm, association, organization, partnership, business, trust or  
24 other legal entity;

25 (4) "State" means the state of Connecticut, any agency or department  
26 of the state or any quasi-public agency, as defined in section 1-120;

27 (5) "Obligation" means an established duty, whether fixed or not,  
28 arising from (A) an express or implied contractual, grantor-grantee or  
29 licensor-licensee relationship, (B) a fee-based or similar relationship, (C)  
30 statute or regulation, or (D) the retention of an overpayment; [and]

31 (6) "Material" means having a natural tendency to influence, or be  
32 capable of influencing, the payment or receipt of money or property;  
33 and

34 (7) "Ownership or investment interest" means any (A) direct or  
35 indirect possession of equity in the capital, stocks or profits totaling  
36 more than ten per cent of an entity, (B) interest held by an investor or  
37 group of investors who engages in the raising or returning of capital and  
38 who invests, develops or disposes of specified assets, or (C) interest held  
39 by a pool of funds by investors, including a pool of funds managed or  
40 controlled by private limited partnerships, if such investors or the  
41 management of such pool or private limited partnership employ  
42 investment strategies of any kind to earn a return on such pool of funds.

43 Sec. 2. Section 4-275 of the general statutes is repealed and the  
44 following is substituted in lieu thereof (*Effective October 1, 2025*):

45 (a) No person shall:

46 (1) Knowingly present, or cause to be presented, a false or fraudulent  
47 claim for payment or approval;

48 (2) Knowingly make, use or cause to be made or used, a false record  
49 or statement material to a false or fraudulent claim;

50 (3) Conspire to commit a violation of this section;

51 (4) Having possession, custody or control of property or money used,  
52 or to be used, by the state, knowingly deliver, or cause to be delivered,  
53 less property than the amount for which the person receives a certificate  
54 or receipt;

55 (5) Being authorized to make or deliver a document certifying receipt  
56 of property used, or to be used, by the state and intending to defraud  
57 the state, make or deliver such document without completely knowing  
58 that the information on the document is true;

59 (6) Knowingly buy, or receive as a pledge of an obligation or debt,  
60 public property from an officer or employee of the state who may not  
61 lawfully sell or pledge the property;

62 (7) Knowingly make, use or cause to be made or used, a false record  
63 or statement material to an obligation to pay or transmit money or  
64 property to the state; [or]

65 (8) Knowingly conceal or knowingly and improperly avoid or  
66 decrease an obligation to pay or transmit money or property to the state;  
67 or

68 (9) (A) Have an ownership or investment interest in any corporation,  
69 limited liability company, firm, association, organization, partnership,  
70 business, trust or other legal entity that has violated subdivisions (1) to  
71 (8), inclusive, of this subsection, (B) know about such violation, and (C)

72 fail to report such violation to the state not later than sixty days after  
73 knowing of such violation.

74 (b) Any person who violates the provisions of subsection (a) of this  
75 section shall be liable to the state for: (1) A civil penalty of not less than  
76 five thousand five hundred dollars or more than eleven thousand  
77 dollars, or as adjusted from time to time by the federal Civil Penalties  
78 Inflation Adjustment Act of 1990, 28 USC 2461, (2) three times the  
79 amount of damages that the state sustains because of the act of that  
80 person, and (3) the costs of prosecution of such violation. Liability under  
81 this section shall be joint and several for any violation of this section  
82 committed by two or more persons.

83 (c) Notwithstanding the provisions of subsection (b) of this section  
84 concerning treble damages, if the court finds that: (1) A person  
85 committing a violation of subsection (a) of this section furnished  
86 officials of the state responsible for investigating false claims violations  
87 with all information known to such person about the violation not later  
88 than thirty days after the date on which the person first obtained the  
89 information; (2) such person fully cooperated with an investigation by  
90 the state of such violation; and (3) at the time such person furnished the  
91 state with the information about the violation, no criminal prosecution,  
92 civil action or administrative action had commenced under sections 4-  
93 276 to 4-280, inclusive, with respect to such violation, and such person  
94 did not have actual knowledge of the existence of an investigation into  
95 such violation, the court may assess not less than two times the amount  
96 of damages which the state sustains because of the act of such person.  
97 Any information furnished pursuant to this subsection shall be exempt  
98 from disclosure under section 1-210.

99 (d) In any civil action, arbitration or other civil proceeding in which  
100 the state is a defendant, the state shall not assert a counterclaim, set-off  
101 or defense alleging a violation of this section.

102 (e) The provisions of this section shall not apply to any claim, record  
103 or statement made under any tax law administered by this state or a  
104 political subdivision of this state.

105 Sec. 3. Section 19a-486i of the general statutes is repealed and the  
106 following is substituted in lieu thereof (*Effective October 1, 2025*):

107 (a) As used in this section:

108 (1) "Affiliation" means the formation of a relationship between two or  
109 more entities that permits the entities to negotiate jointly with third  
110 parties over rates for professional medical services;

111 (2) "Captive professional entity" means a partnership, professional  
112 corporation, limited liability company or other entity formed to render  
113 professional services in which a partner, a member, a shareholder or a  
114 beneficial owner is a physician, directly or indirectly, employed by,  
115 controlled by, subject to the direction of, or otherwise designated by (A)  
116 a hospital, (B) a hospital system, (C) a medical school, (D) a medical  
117 foundation, organized pursuant to subsection (a) of section 33-182bb, or  
118 (E) any entity that controls, is controlled by or is under common control  
119 with, whether through ownership, governance, contract or otherwise,  
120 another person, entity or organization described in subparagraphs (A)  
121 to (D), inclusive, of this subdivision;

122 (3) "Hospital" has the same meaning as provided in section 19a-646;

123 (4) "Hospital system" means: (A) A parent corporation of one or more  
124 hospitals and any entity affiliated with such parent corporation through  
125 ownership, governance or membership; or (B) a hospital and any entity  
126 affiliated with such hospital through ownership, governance or  
127 membership;

128 (5) "Health care provider" has the same meaning as provided in  
129 section 19a-17b;

130 (6) "Medical foundation" means a medical foundation formed under  
131 chapter 594b;

132 (7) "Physician" has the same meaning as provided in section 20-13a;

133 (8) "Person" has the same meaning as provided in section 35-25;

134 (9) "Professional corporation" has the same meaning as provided in  
135 section 33-182a;

136 (10) "Group practice" means two or more physicians, legally  
137 organized in a partnership, professional corporation, limited liability  
138 company formed to render professional services, medical foundation,  
139 not-for-profit corporation, faculty practice plan or other similar entity  
140 (A) in which each physician who is a member of the group provides  
141 substantially the full range of services that the physician routinely  
142 provides, including, but not limited to, medical care, consultation,  
143 diagnosis or treatment, through the joint use of shared office space,  
144 facilities, equipment or personnel; (B) for which substantially all of the  
145 services of the physicians who are members of the group are provided  
146 through the group and are billed in the name of the group practice and  
147 amounts so received are treated as receipts of the group; or (C) in which  
148 the overhead expenses of, and the income from, the group are  
149 distributed in accordance with methods previously determined by  
150 members of the group. An entity that otherwise meets the definition of  
151 group practice under this section shall be considered a group practice  
152 although its shareholders, partners or owners of the group practice  
153 include single-physician professional corporations, limited liability  
154 companies formed to render professional services or other entities in  
155 which beneficial owners are individual physicians; [and]

156 (11) "Primary service area" means the smallest number of zip codes  
157 from which the group practice draws at least seventy-five per cent of its  
158 patients; and

159 (12) "Main campus of a hospital" means the licensed premises within  
160 which the majority of inpatient beds are located.

161 (b) At the same time that any person conducting business in this state  
162 that files merger, acquisition or any other information regarding market  
163 concentration with the Federal Trade Commission or the United States  
164 Department of Justice, in compliance with the Hart-Scott-Rodino  
165 Antitrust Improvements Act, 15 USC 18a, where a hospital, hospital  
166 system or other health care provider is a party to the merger or

167 acquisition that is the subject of such information, such person shall  
168 provide written notification to the Attorney General of such filing and,  
169 upon the request of the Attorney General, provide a copy of such  
170 merger, acquisition or other information.

171 (c) Not less than thirty days prior to the effective date of any  
172 transaction that results in a material change to the business or corporate  
173 structure of a group practice, the parties to the transaction shall submit  
174 written notice to the Attorney General of such material change. For  
175 purposes of this subsection, a material change to the business or  
176 corporate structure of a group practice includes: (1) The merger,  
177 consolidation or other affiliation of a group practice with (A) another  
178 group practice that results in a group practice comprised of eight or  
179 more physicians, or (B) a hospital, hospital system, captive professional  
180 entity, medical foundation or other entity organized or controlled by  
181 such hospital or hospital system; (2) the acquisition of all or  
182 substantially all of (A) the properties and assets of a group practice, or  
183 (B) the capital stock, membership interests or other equity interests of a  
184 group practice by (i) another group practice that results in a group  
185 practice comprised of eight or more physicians, or (ii) a hospital,  
186 hospital system, captive professional entity, medical foundation or  
187 other entity organized or controlled by such hospital or hospital system;  
188 (3) the employment of all or substantially all of the physicians of a group  
189 practice by (A) another group practice that results in a group practice  
190 comprised of eight or more physicians, or (B) a hospital, hospital system,  
191 captive professional entity, medical foundation or other entity  
192 organized by, controlled by or otherwise affiliated with such hospital or  
193 hospital system; and (4) the acquisition of one or more insolvent group  
194 practices by (A) another group practice that results in a group practice  
195 comprised of eight or more physicians, or (B) a hospital, hospital system,  
196 captive professional entity, medical foundation or other entity  
197 organized by, controlled by or otherwise affiliated with such hospital or  
198 hospital system.

199 (d) (1) The written notice required under subsection (c) of this section  
200 shall identify each party to the transaction and describe the material

201 change as of the date of such notice to the business or corporate structure  
202 of the group practice, including: (A) A description of the nature of the  
203 proposed relationship among the parties to the proposed transaction;  
204 (B) the names and specialties of each physician that is a member of the  
205 group practice that is the subject of the proposed transaction and who  
206 will practice medicine with the resulting group practice, hospital,  
207 hospital system, captive professional entity, medical foundation or  
208 other entity organized by, controlled by, or otherwise affiliated with  
209 such hospital or hospital system following the effective date of the  
210 transaction; (C) the names of the business entities that are to provide  
211 services following the effective date of the transaction; (D) the address  
212 for each location where such services are to be provided; (E) a  
213 description of the services to be provided at each such location; and (F)  
214 the primary service area to be served by each such location.

215 (2) Not later than thirty days after the effective date of any transaction  
216 described in subsection (c) of this section, the parties to the transaction  
217 shall submit written notice to the Commissioner of Health Strategy.  
218 Such written notice shall include, but need not be limited to, the same  
219 information described in subdivision (1) of this subsection. The  
220 commissioner shall post a link to such notice on the Office of Health  
221 Strategy's Internet web site.

222 (e) Not less than thirty days prior to the effective date of any  
223 transaction that results in an affiliation between one hospital or hospital  
224 system and another hospital or hospital system, the parties to the  
225 affiliation shall submit written notice to the Attorney General of such  
226 affiliation. Such written notice shall identify each party to the affiliation  
227 and describe the affiliation as of the date of such notice, including: (1) A  
228 description of the nature of the proposed relationship among the parties  
229 to the affiliation; (2) the names of the business entities that are to provide  
230 services following the effective date of the affiliation; (3) the address for  
231 each location where such services are to be provided; (4) a description  
232 of the services to be provided at each such location; and (5) the primary  
233 service area to be served by each such location.



234     (f) Not less than thirty days prior to the effective date of any  
235     transaction that results in the lease of the main campus of a hospital  
236     from a health care real estate investment trust, as defined in Section 856  
237     of the Internal Revenue Code of 1986, or any subsequent corresponding  
238     internal revenue code of the United States, as amended from time to  
239     time, the parties to the transaction shall submit written notice of such  
240     proposed lease to the Attorney General and the Commissioner of Health  
241     Strategy.

242     ~~[(f)]~~ (g) Written information submitted to the Attorney General  
243     pursuant to subsections (b) to ~~[(e)]~~ (f), inclusive, of this section shall be  
244     maintained and used by the Attorney General in the same manner as  
245     provided in section 35-42.

246     ~~[(g)]~~ (h) Not later than January 15, 2018, and annually thereafter, each  
247     hospital and hospital system shall file with the Attorney General and  
248     the Commissioner of Health Strategy a written report describing the  
249     activities of the group practices owned or affiliated with such hospital  
250     or hospital system. Such report shall include, for each such group  
251     practice: (1) A description of the nature of the relationship between the  
252     hospital or hospital system and the group practice; (2) the names and  
253     specialties of each physician practicing medicine with the group  
254     practice; (3) the names of the business entities that provide services as  
255     part of the group practice and the address for each location where such  
256     services are provided; (4) a description of the services provided at each  
257     such location; and (5) the primary service area served by each such  
258     location.

259     ~~[(h)]~~ (i) Not later than January 15, 2018, and annually thereafter, each  
260     group practice comprised of thirty or more physicians that is not the  
261     subject of a report filed under subsection ~~[(g)]~~ (h) of this section shall file  
262     with the Attorney General and the Commissioner of Health Strategy a  
263     written report concerning the group practice. Such report shall include,  
264     for each such group practice: (1) The names and specialties of each  
265     physician practicing medicine with the group practice; (2) the names of  
266     the business entities that provide services as part of the group practice

267 and the address for each location where such services are provided; (3)  
268 a description of the services provided at each such location; and (4) the  
269 primary service area served by each such location.

270 [(i)] (j) Not later than January 15, 2018, and annually thereafter, each  
271 hospital and hospital system shall file with the Attorney General and  
272 the Commissioner of Health Strategy a written report describing each  
273 affiliation with another hospital or hospital system. Such report shall  
274 include: (1) The name and address of each party to the affiliation; (2) a  
275 description of the nature of the relationship among the parties to the  
276 affiliation; (3) the names of the business entities that provide services as  
277 part of the affiliation and the address for each location where such  
278 services are provided; (4) a description of the services provided at each  
279 such location; and (5) the primary service area served by each such  
280 location.

281 Sec. 4. Section 19a-486g of the general statutes is repealed and the  
282 following is substituted in lieu thereof (*Effective October 1, 2025*):

283 (a) The Commissioner of Public Health shall refuse to issue a license  
284 to, or if issued shall suspend or revoke the license of, a hospital if the  
285 commissioner finds, after a hearing and opportunity to be heard, that:

286 (1) There was a transaction described in section 19a-486a that  
287 occurred without the approval of the Commissioner of Health Strategy,  
288 if such approval was required by sections 19a-486 to 19a-486h, inclusive;

289 (2) There was a transaction described in section 19a-486a without the  
290 approval of the Attorney General, if such approval was required by  
291 sections 19a-486 to 19a-486h, inclusive, and the Attorney General  
292 certifies to the Commissioner of Health Strategy that such transaction  
293 involved a material amount of the nonprofit hospital's assets or  
294 operations or a change in control of operations; or

295 (3) The hospital is not complying with the terms of an agreement  
296 approved by the Attorney General and Commissioner of Health  
297 Strategy pursuant to sections 19a-486 to 19a-486h, inclusive.

298       (b) On and after October 1, 2025, the Commissioner of Public Health  
299 shall refuse to issue a license to a hospital, or renew any such license, if  
300 the commissioner finds, after a hearing and opportunity to be heard,  
301 that the main campus of the hospital, as defined in section 19a-486i, as  
302 amended by this act, is leased from a health care real estate investment  
303 trust, as defined in Section 856 of the Internal Revenue Code of 1986, or  
304 any subsequent corresponding internal revenue code of the United  
305 States, as amended from time to time, unless such lease was entered into  
306 prior to October 1, 2025.

This act shall take effect as follows and shall amend the following sections:

Section 1	<i>October 1, 2025</i>	4-274
Sec. 2	<i>October 1, 2025</i>	4-275
Sec. 3	<i>October 1, 2025</i>	19a-486i
Sec. 4	<i>October 1, 2025</i>	19a-486g

***Statement of Legislative Commissioners:***

Section 2(a)(9)(A) was redrafted for clarity and consistency with Sections 1(3) and (7).

**GAE**       *Joint Favorable Subst. -LCO*

*The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.*

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### **OFA Fiscal Note**

#### **State Impact:**

Agency Affected	Fund-Effect	FY 26 \$	FY 27 \$
Resources of the General Fund	GF - Potential Revenue Gain	See Below	See Below

Note: GF=General Fund

#### **Municipal Impact:** None

#### **Explanation**

The bill adds a violation to the state's False Claims Act resulting in a potential revenue gain to the state to the extent violations occur. Violators of the False Claims Act can be assessed a civil penalty ranging from \$5,500 to \$11,000.

The bill also results in no fiscal impact to the Office of the Attorney General and the Office of Health Strategy to receive notices of certain transactions.

#### **The Out Years**

The annualized ongoing fiscal impact identified above would continue into the future subject to the number of violations.

**OLR Bill Analysis****HB 7224*****AN ACT EXPANDING LIABILITY UNDER THE FALSE CLAIMS ACT FOR ENTITIES WITH AN OWNERSHIP INTEREST AND PROHIBITING THE LICENSING OF HOSPITALS WITH CERTAIN LEASE BACK ARRANGEMENTS.*****SUMMARY**

This bill makes it a violation of the state's False Claims Act for an entity to (1) have an ownership or investment interest in an entity that it knows violated the False Claims Act and (2) fail to report the violation to the state within 60 days after knowing about it.

Under the bill, "ownership or investment interest" is any:

1. direct or indirect possession of equity totaling more than 10% of an entity's capital, stocks, or profits;
2. interest held by an investor or group of investors who engages in raising or returning capital and invests, develops, or disposes of specified assets; or
3. interest held by a pool of funds by investors, including a pool of funds managed or controlled by private limited partnerships, if the investors or the management of the pool or private limited partnership use investment strategies of any kind to earn a return on the pool of funds.

Separately, the bill requires the parties in a transaction that results in the lease of a hospital's main campus from a health care real estate investment trust (REIT), as defined in federal tax law, to give the attorney general and commissioner of health strategy written notice about the proposed lease at least 30 days before the transaction.

It also prohibits the public health commissioner from issuing or renewing a hospital's license if she finds, after a hearing and opportunity to be heard, that the hospital's main campus is leased from a health care REIT, unless the lease was entered into before October 1, 2025. Under the bill, a hospital's main campus is the licensed premises within which the majority of inpatient beds are located.

EFFECTIVE DATE: October 1, 2025

### **FALSE CLAIMS ACT**

Under the bill, an entity violates the False Claims Act if it (1) knows that an entity in which it has an ownership or investment interest did something prohibited by the act and (2) fails to report it to the state within 60 days. The prohibited actions are:

1. knowingly presenting, or causing to be presented, a false or fraudulent claim (to the state) for payment or approval;
2. knowingly making, using, or causing to be made or used, a false record or statement material to a false or fraudulent claim;
3. having possession, custody, or control of property or money used, or to be used, by the state, and knowingly delivering, or causing to be delivered, less property than the amount for which the person received a certificate or receipt;
4. being authorized to make or deliver a document certifying receipt of property used, or to be used, by the state and intending to defraud the state by making or delivering the document without completely knowing that the information on it is true;
5. knowingly buying, or receiving as a pledge of an obligation or debt, public property from a state officer or employee who may not lawfully sell or pledge the property;
6. knowingly making, using, or causing to be made or used, a false record or statement material to an obligation to pay or transmit money or property to the state;

7. knowingly concealing, or knowingly and improperly avoiding or decreasing, an obligation to pay or transmit money or property to the state; or
8. conspiring to commit one of these prohibited actions.

By law, unchanged by the bill, violators of the False Claims Act are liable to the state for (1) civil penalties ranging from \$5,500 to \$11,000 (as adjusted for inflation under federal law); (2) three times the damages the state sustains because of the violation; and (3) the costs of prosecuting the violation. Liability is joint and several for violations committed by more than one person or entity. The law allows the treble damages to be reduced to double damages under certain circumstances (generally, if the violator gave the state information about the violation within 30 days, did not know about the state's investigation into the violation at that time, and fully cooperated with the state's investigation).

### **COMMITTEE ACTION**

Government Administration and Elections Committee

Joint Favorable

Yea    13    Nay   6    (03/26/2025)